**NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY**
**FACULTY OF ARCHITECTURE AND QUANTITY SURVEYING**
**BACHELOR OF QUANTITY SURVEYING (HONOURS) DEGREE**
**PART I FIRST SEMESTER EXAMINATIONS – JULY 2005**

**PRINCIPLES OF MICROECONOMICS– AQS 1104**

**TIME:**  3  Hours                                               **TOTAL MARKS:**  100

**INSTRUCTIONS:**

Answer any **4** questions.

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**QUESTION 1**

You are informed that the price of a good is greater than the cost of producing the last unit of it.  Would you recommend a change in the output of that good?  Explain your reasoning.

(25 marks)

**QUESTION 2**

Use indifference curve analysis to explain the effects of
a)  a change in consumer's income and                                    (5 marks)
b)  a change in the price of good, on the demand for normal and giffen goods (20 marks)

**QUESTION 3**

a)  Outline how the marginal revenue productivity theory suggests that the level of wages in an industry is determined.

(13 marks)

b)  How realistic do you consider this explanation to be?

(12 marks)

**QUESTION 4**

a)  With reference to the market for housing in Zimbabwe discuss whether:
i)       the demand for housing is price elastic or inelastic.
ii)      Housing is a normal or inferior good.                              (15 marks)

b)  Explain the possible effect on the economy if there were expansions in the
     construction industry.                                                (10 marks)

**QUESTION 5**

a)  What are the economic characteristics of command and market economies?

(10 marks)

c)  In a number of countries in recent years, here has been a movement towards a greater reliance on the market system.  Assess the advantages and disadvantages of this trend.                                                                                                  (15 marks)

**END OF EXAMINATION**